

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees
July 10, 2003

Members present:

ROGER DUMAS, Chairperson, VSEA member (term expiring September, 2003)
WARREN WHITNEY, Vice-Chairperson, VSEA member (term expiring September, 2004)
ROBERT HOOPER, VSEA member (term expiring September 2004)
ROBERT HOFMANN, Commissioner of Finance & Management
CYNTHIA LAWARE, Commissioner of Personnel
JEB SPAULDING, Vermont State Treasurer
RICHARD JOHANNESSEN, Governor's appointee

Member(s) absent:

GORDON MACARTHUR, Retired Vermont State Employees' Association

Also attending:

David Minot, Director of Finance and Investment Services
Cynthia Webster, Retirement Operations Director

The Chairperson, Roger Dumas, called the board meeting to order at 8:15 a.m. on Thursday, July 10, 2003, in Conference Room #1 at 133 State Street, Montpelier, Vermont.

ITEM 1: Approval of the minutes of May 22, 2003 and June 12, 2003

On a motion of Mr. Hooper seconded by Mr. Whitney, it was unanimously voted to approve the minutes of May 22, 2003, and June 12, 2003.

ITEM 2: Treasurer's Report

Mr. Spaulding introduced Beth Pearce, and new Deputy State Treasurer. Ms. Pearce provided a brief summary of her career path.

Mr. Spaulding re-stated his four point agenda:

1. Be the best office of the treasury in the USA.
2. Offer the best customer service possible.
3. Do our part to make this office a great place to work.
4. Give Vermont taxpayers an excellent value.

Mr. Spaulding distributed a follow-up memo on proxy voting, listing options for Board consideration. **On motion of Ms. LaWare seconded by Mr. Johannesen, it was unanimously voted to authorize the Treasurer's Office to develop and implement an Request for Proposal (RFP) for a firm to develop and maintain current proxy voting guidelines, direct the investment managers to vote proxies consistent with the guidelines, and conduct**

performance audits. The motion was passed with the understanding the selection of a finalist will be subject to board approval. The board stated a desire to review the RFP before it is released.

ITEM #3: High Yield Manager Search

The board agreed to request New England Pension Consultant develop a long list of high yield managers, then allow a subcommittee of David Minot, Ellen Griggs and Warren Whitney to reduce the long list to three or four finalists, using specific eligibility benchmarks, to be interviewed at the August board meeting. The Board will be given the full list of managers, with notes as to reasons why they did or did not make the finalist selection.

The Board agreed that everyone has to have at least one-half billion or more under management in a high yield product to qualify for board consideration, and authorized the sub-committee discretion to add one or more managers if under the minimum assets under management providing there is a valid reason.

ITEM #4: State Treasurer's Report – continued

Mr. Spaulding discussed his recommendation to use the General Services Administration's *Domestic Per Diem Rates for U.S. Cities* to determine meal reimbursements when Board or staff members travel out-of-state. **On motion of Mr. Hooper seconded by Ms. LaWare, it was unanimously approved to adopt the General Services Administration's meal reimbursement rates.**

Mr. Spaulding advised the Board that the subcommittee for the unitization of retirement system assets was scheduled to meet in the afternoon to develop a unitization policy.

Mr. Spaulding stated legislation enacted during the 2003 session requires that he develop a proposal to submit to the general assembly by December 15, 2003 for a new group plan for the State of Vermont firefighters.

The board discussed how other states handle local investments.

Robert Hofmann left the meeting.

ITEM #5: Disability Retirement Applications

On motion of Mr. Hooper seconded by Mr. Whitney, it was unanimously voted to accept the Medical Review Board's recommendation to approve the disability retirement application of Kenneth Kane, II without further review.

On motion of Mr. Hooper seconded by Mr. Whitney, it was unanimously voted to accept the Medical Review Board's recommendation to approve the disability retirement application of Linda Britt with a one-year review.

On motion of Mr. Whitney seconded by Mr. Hooper, it was unanimously voted to move into executive session at 9:51 a.m. to discuss confidential medical records. The board moved out of executive session at 10:08 a.m.

ITEM #6: Deferred Compensation Plan – Emergency Withdrawal Request

Mr. Hooper moved and Mr. Whitney seconded a motion to approve the emergency withdrawal request submitted by Patsy Murray. After considerable discussion, Mr. Hooper moved and Mr. Whitney seconded a motion to move the question. The board voted unanimously to move the question. On the original motion, the board voted unanimously to deny the motion. The motion did not carry.

The new emergency withdrawal application form was discussed. A recommendation was made to request BenefitsCorp to explore all options for more in-depth analysis of eligibility criteria for an emergency withdrawal and discuss with legal counsel what the role of the Board should be. The issue will be discussed at the August 14, 2003, meeting.

ITEM #7: Other Business

The board discussed inviting the AFL-CIO to make a presentation regarding proxy voting at the next investment meeting in August.

On motion of Ms. LaWare seconded by Mr. Johannesen, it was unanimously voted to adjourn at 10:54 a.m.

Respectfully submitted,

Cynthia Webster
Secretary to the Board